

CITY OF WINTHROP

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS &
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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RFSW Ridihalgh Fuelling
Snitker Weber & Co.
C E R T I F I E D P U B L I C A C C O U N T A N T S

James R. Ridihalgh, C.P.A.
Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.

14 East Charles St, PO Box 639
Oelwein, IA 50662
(319)283-1173
Fax (319)283-2799

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the City of Winthrop, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Winthrop's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund information of the City of Winthrop as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated November 7, 2008 on our consideration of the City of Winthrop's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit

performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages I-VI and 16-18 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Winthrop's basic financial statements. Other supplementary information included in Schedule 1, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

November 7, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winthrop provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities increased 19.06%, or approximately \$105,149 from fiscal year 2007 to fiscal year 2008. Property tax increased approximately \$2,880, tax increment financing collections increased \$8,727.

Disbursements increased 84.01%, or approximately \$365,777 in fiscal year 2008, from fiscal year 2007. Community and Economic Development spending increased approximately \$66,677. Capital project disbursements increased approximately \$134,975.

The City's total cash basis net assets decreased 10.90%, or approximately \$126,030, from July 01, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities decreased approximately \$144,429 and the assets of the business type activities increased by approximately \$18,399.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give

FINANCIAL STATEMENTS

EXHIBIT A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
-	(30,241)	-	(30,241)
-	(17,959)	-	(17,959)
-	(500)	-	(500)
-	(25,253)	-	(25,253)
-	(106,324)	-	(106,324)
-	(47,533)	-	(47,533)
-	-	-	-
-	(149,127)	-	(149,127)
-	-	-	-
-	(376,937)	-	(376,937)
-	-	35,859	35,859
-	-	23,849	23,849
-	-	(307)	(307)
-	-	(52,729)	(52,729)
-	-	(104,819)	(104,819)
-	-	(98,147)	(98,147)
-	(376,937)	(98,147)	(475,084)
	138,232	-	138,232
	115,059	-	115,059
	54,283	-	54,283
	8,204	1,500	9,704
	12,000	-	12,000
	19,776	-	19,776
	(115,046)	115,046	-
	232,508	116,546	349,054
	(144,429)	18,399	(126,030)
	809,593	346,220	1,155,813
	\$ 665,164	364,619	1,029,783
	\$ 665,164	364,619	1,029,783
	\$ 665,164	364,619	1,029,783

City of Winthrop

EXHIBIT B

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2008

	General	TIF	Road Use Tax	Capital Project	Total
Receipts:					
Property tax	\$ 138,232	-	-	-	138,232
Tax increment financing collections	-	115,059	-	-	115,059
Other city tax	54,283	-	-	-	54,283
Licenses and permits	1,052	-	-	-	1,052
Use of money and property	8,304	-	-	-	8,304
Intergovernmental	19,833	-	71,971	-	91,804
Charges for service	30,768	-	-	-	30,768
Special assessments	-	-	-	-	-
Miscellaneous	68,086	-	-	-	68,086
Total receipts	320,558	115,059	71,971	-	507,588
Disbursements:					
Operating:					
Public safety	53,605	-	-	-	53,605
Public works	38,258	-	51,672	-	89,930
Health and social services	500	-	-	-	500
Culture and recreation	80,832	-	-	-	80,832
Community and economic development	115,444	-	-	-	115,444
General government	47,533	-	-	-	47,533
Debt service	-	-	-	-	-
Capital projects	-	-	-	149,127	149,127
Enterprise	-	-	-	-	-
Total disbursements	336,172	-	51,672	149,127	536,971
Excess of receipts over disbursements	(15,614)	115,059	20,299	(149,127)	(29,383)
Other financing sources (uses):					
Operating transfers in	-	-	-	149,127	149,127
Operating transfers out	(149,127)	(115,046)	-	-	(264,173)
Total other financing sources (uses)	(149,127)	(115,046)	-	149,127	(115,046)
Net change in cash balances	(164,741)	13	20,299	-	(144,429)
Cash balances beginning of year	690,811	947	117,835	-	809,593
Cash balances end of year	\$ 526,070	960	138,134	-	665,164
Cash Basis Fund Balances					
Unrestricted:					
General fund	\$ 526,070	-	-	-	526,070
Special revenue funds	-	960	138,134	-	139,094
Capital Project-(Reserved) ????????	-	-	-	-	-
Total cash basis fund balances	\$ 526,070	960	138,134	-	665,164

See notes to financial statements

City of Winthrop

EXHIBIT C

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2008

Total governmental funds cash balances (page 7)	\$ 665,164
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The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Cash basis net assets of governmental activities (page 6)	<u>\$ 665,164</u>
--	--------------------------

Net change in cash balances (page 7)	\$ (144,429)
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The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Change in cash basis net assets of governmental activities (page 6)	<u>\$ (144,429)</u>
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See notes to financial statements

City of Winthrop

EXHIBIT D

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2008

	Water	Sewer	Landfill	Water TIF	Sewer TIF	Total
Receipts:						
Use of money and property	\$ -	1,274	226	-	-	1,500
Charges for services	71,744	52,800	49,978	-	-	174,522
	-	-	11	-	-	11
Total receipts	71,744	54,074	50,215	-	-	176,033
Disbursements:						
Operating:						
Enterprise	35,885	28,951	50,296	52,729	104,819	272,680
Total disbursements	35,885	28,951	50,296	52,729	104,819	272,680
Excess (deficiency) of receipts over (under) disbursements	35,859	25,123	(81)	(52,729)	(104,819)	(96,647)
Other financing sources:						
Operating transfers in	50,240	64,806	-	52,729	104,819	272,594
Operating transfers out	(52,729)	(104,819)	-	-	-	(157,548)
Net change in cash balances	33,370	(14,890)	(81)	-	-	18,399
Cash balances beginning of year	172,180	151,229	22,811	-	-	346,220
Cash balances end of year	\$ 205,550	136,339	22,730	-	-	364,619
Cash Basis Fund Balances						
Unreserved:						
Enterprise Fund	\$ 205,550	136,339	22,730	-	-	364,619

See accompanying independent auditor's report

City of Winthrop

SCHEDULE E

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Funds

As of and for the year ended June 30, 2008

Total enterprise funds cash balances (page 9)	\$ 364,619
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The city does not have an internal service fund.
Therefore there are no reconciling items.

-

**Cash basis net assets of business type
activities (page 6)**

\$ 364,619

Net change in cash balances (page 9)

\$ 18,399

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

**Change in cash basis net assets of business type
activities (page 6)**

\$ 18,399

See notes to financial statements

CITY OF WINTHROP

Notes to Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies

The City of Winthrop is a political subdivision of the State of Iowa located in Buchanan County. It was first incorporated in 1886 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Winthrop has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions:

County Landfill Commission, County Sheriff's Protection, agreement with local townships to provide fire protection and an agreement with East Buchanan School District for ground lease, Buchanan County 911 Board, and Buchanan County Economic Development Commission.

CITY OF WINTHROP

Notes to Financial Statements

June 30, 2008

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF WINTHROP

Notes to Financial Statements

June 30, 2008

Special Revenue:

The Road Use Tax Funds is used to account for receipt and disbursements of Road Use Tax Funds from the State of Iowa.

The TIF Fund is used to account for receipts of TIF funds from the county.

Capital Projects:

The Capital Projects Fund is used to account for the capital projects of the city.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Landfill Fund accounts for the operation and maintenance of the City's landfill operations.

The Water TIF accounts for the transfer in of TIF collections and the subsequent transfer of those monies to the Water Fund from which those monies were borrowed.

The Sewer TIF accounts for the transfer in of TIF collections and the subsequent transfer of those monies to the Sewer Fund from which those monies were borrowed.

C. Measurement Focus and Basis of Accounting

The City of Winthrop maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF WINTHROP

Notes to Financial Statements

June 30, 2008

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

2. Cash and Pooled Investments

The City's deposits at June 30, 2008, were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2008.

3. Pension and Retirement Benefits

Other City Employees - The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations contribute an actuarially determined contribution rate. Contributions requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2008 was \$5,206 equal to the required contribution.

CITY OF WINTHROP

Notes to Financial Statement

June 30, 2008

4. Compensated Absences

City employees accumulate a vacation hours for subsequent use the current year only. Sick leave hours are allowed to be carried over from year to year up to a maximum of 24 weeks. The City keeps track of sick leave and vacation on a calendar year basis. Neither vacation or sick leave is payable upon termination, retirement or death.

5. Related Party Transactions

No business between the City and City officials was noted for the year ended June 30, 2008.

6. Risk Management

The City of Winthrop is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7. Interfund Transfer

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
Capital Projects	General	\$ 149,127
		<u>149,127</u>
Proprietary:	Special Revenue:	
Water	TIF	50,240
Sewer	TIF	64,806
	Proprietary:	
Water-TIF	Water	52,729
Sewer-TIF	Sewer	<u>104,819</u>
		<u>272,594</u>
Total		<u>\$ 421,721</u>

8. Litigation

The City is not subject to any pending lawsuits.

9. Subsequent Events

We found no subsequent events to be noted.

Less Funds not Required to be Budgeted	Net	Budgeted Amounts Original Final	Final to Net Variance
-	138,232	133,266	4,966
-	115,059	104,000	11,059
-	54,283	62,347	(8,064)
-	1,052	1,215	(163)
-	9,804	4,500	5,304
-	91,804	356,727	(264,923)
-	205,290	169,000	36,290
-	-	-	-
	68,097	101,900	(33,803)
-	683,621	932,955	(249,334)
-	53,605	158,988	105,383
-	89,930	161,500	71,570
-	500	500	-
-	80,832	244,284	163,452
-	115,444	122,000	6,556
-	47,533	49,780	2,247
-	-	-	-
-	149,127	300,000	150,873
-	272,680	470,500	197,820
-	809,651	1,507,552	697,901
-	(126,030)	(574,597)	448,567
-	-	-	-
-	(126,030)	(574,597)	448,567
-	1,155,813	979,742	198,416
-	1,029,783	405,145	646,983

City of Winthrop

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2008

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

OTHER SUPPLEMENTARY INFORMATION

City of Winthrop

Statement of Indebtness
Year Ended June 30, 2008

SCHEDULE 1

	Promissory Note <u>E. Buchanan Telephone Company</u>
Date of Issue	<u>8-27-2003</u>
Interest Rates	<u>0%</u>
Amount Originally Issued	<u>150,000</u>
Balance Beginning of Year	90,000
Issued During Year	-
Redeemed During Year	<u>15,000</u>
Balance End of Year	<u>75,000</u>
Interest Paid	<u>-</u>
Interest Due and Unpaid	<u>-</u>

See accompanying independent auditor's report

City of Winthrop

SCHEDULE 2

Debt Maturities
Year Ended June 30, 2008

Promissory Note
East Buchanan Telephone Cooperative
Issued August 2003

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>
2009	0.00	\$ 15,000
2010	0.00	15,000
2011	0.00	15,000
2012	0.00	15,000
2013	0.00	15,000
Total		<u>\$ 75,000</u>

See accompanying independent auditor's report

James R. Ridihalgh, C.P.A.
Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.

14 East Charles St, PO Box 639
Oelwein, IA 50662
(319)283-1173
Fax (319)283-2799

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of the city of Winthrop, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 7, 2008. Our report expressed unqualified opinions on the financial statements which are prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winthrop's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Winthrop's internal control over financial reporting. Accordingly, we do not express any opinion on the effectiveness of Winthrop's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects Winthrop's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of Winthrop's financial statements that is more than inconsequential will not be prevented or detected by Winthrop's internal

control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Winthrop's internal control.

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Winthrop's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We noted no instances of non-compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Winthrop's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit Winthrop's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Winthrop and other parties to whom the City of Winthrop may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Winthrop during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER AND COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTS

November 7, 2008

CITY OF WINTHROP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

Part I - Summary of the Independent Auditor's Results

- a.) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b.) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including material weakness.
- c.) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF WINTHROP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

Part II - Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY:

- II-A-08 Segregation of Duties-One important aspect of the control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, the posting of the cash receipts to the cash receipts journal and comparing deposits to records are all done by the same person.

Recommendation-We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstance.

Response - We will consider this.

Conclusion - Response accepted.

- II-B-08 Authorization of Transfers - No evidence was found of Council approved for transfer of funds.

Recommendation - All transfers between funds should be approved by the Council.

Response - All transfers in the future will be approved by the Council.

Conclusion - Response accepted

Part III-Other Findings Related to Required Statutory Reporting:

- III-A-08 Certified Budget - Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.
- III-B-08 Official Depositories--A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2008.
- III-C-08 Questionable Disbursements--No expenditures were noted for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-D-08 Travel Expenses--No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

- III-E-08 Business Transactions--Business transactions between the City and City officials or employees are detailed as follows:
James Burns--Public Works Director Parts and Supplies \$282
Wife's parents own
Hardware Hank
- In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Public Works Director do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.
- III-F-08 Bond Coverage--Security bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.
- III-G-08 Council Minutes--No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-H-08 Deposits and Investments--We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-I-08 Temporary Investments--The City has a systematic investment program. During the year ended June 30, 2008, the investments resulted in interest income of \$9,704.
- III-J-08 Revenue Bonds and Notes -- The City has no revenue bonds or notes.

CITY OF WINTHROP

AUDIT STAFF

This audit was performed by:

Donald A. Snitker, CPA